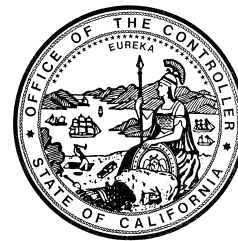


News Release



Controller of the State of California - Kathleen Connell

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For Immediate Release

Controller Connell Issues Fiscal Status to Governor and Legislators

Budget Deadline Looms Next Week

SACRAMENTO, June 27 -- State Controller Kathleen Connell today sent letters to the Governor and the Legislature advising them of the potential impact on state employees and vendors in the event a budget agreement is not reached by the June 30 deadline. Attached to the letter was a schedule of major state disbursements for July 1-31.

"If the deadline is not met, the clock starts ticking," said Connell. "Fortunately, we have cash in the bank, and I have the authority to pay bills associated with the 1996-97 fiscal year which are typically received in the first weeks of July. We really come under the gun right around July 10, when vendors who bill the State on a weekly basis will be expecting payment for services rendered for the first part of the 1997-98 fiscal year. I simply do not have the authority to pay them, or any other vendors, unless the Governor and Legislature agree on a budget.

"This is of particular concern because many of the vendors who bill us weekly are small, mom-and-pop operations that depend on prompt payment from the State," she continued. "If we don't pay them on schedule, they can't pay their own employees and vendors. The dominos fall, and many innocent people can be put in financial jeopardy. The prospect of that happening is just unconscionable, and I urge the Governor and Legislature to do what they have to to reach consensus and put these people's minds at ease."

The Controller was very clear that she will maintain her personal commitment to paying state employees who will be caught in the middle if the Governor and Legislature fail to reach an agreement before midnight on Monday: "I've said it before and I'll say it again -- I absolutely will not allow public employees, who work hard and deserve to be paid for their labor, to be a negotiating chit in partisan politics. For the past two years since I took office, we have had a budget stand-off, and each time I paid employees. This isn't their fight."

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Connell noted that since there is not a shortage of funds, there should not be a barrier for those at the negotiating table: "It is well-known here in Sacramento and around the state that revenues should not be a problem in reaching a budget agreement. Taxpayers are justified in expecting their elected officials to do their jobs and meet the June 30 deadline. I am very hopeful that they will do just that, so state employees and people who do business with the state can all have the peace of mind of knowing they will be paid for services rendered."

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For a copy of the two-page attachment: Estimated Major State Disbursements for July 1-31, 1997, please contact the State Controllers Office at (916) 445-2636.